

STATE OF UTAH DEPARTMENT OF INSURANCE
REPORT OF EXAMINATION
of

ASSOCIATED AMERICAN MUTUAL LIFE INSURANCE COMPANY
Of
Salt Lake City, Utah

as of
December 31, 2001



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Salt Lake City, Utah
February 18, 2003

The Honorable Merwin U. Stewart
Insurance Commissioner
State of Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Sir,

Pursuant to your instructions and in conformity with the provisions of Utah Code Annotated (U.C.A.) and Utah Administrative Code (U.A.C.), a full scope examination has been made of the administrative affairs, books, records, and financial condition of

Associated American Mutual Life Insurance Company

of
Salt Lake City, Utah

a mutual life insurance company, hereinafter referred to as the "Company", as of December 31, 2001.

The following report of examination is respectfully submitted.

Scope of Examination

Period Covered by Examination

This examination covered the period January 1, 1998 through December 31, 2001, and included a review of material transactions and/or significant events occurring subsequent to the examination date as well as those noted during the course of this examination.

Examination Procedure Employed

The examination was conducted in accordance with generally accepted statutory examination procedures, and National Association of Insurance Commissioners (NAIC) accounting guidelines. Verification and valuation of assets, determination of liabilities and reserves, and an analysis and review of such other accounts and records appropriate to the examination were also performed.

Various work papers, reports, certified confirmations, and other supporting documentation for the financial statements as of December 31, 2001, provided by the Company's certified public accountants, were utilized by the examination on a limited basis in the verification of certain balance sheet accounts and as a supplement to the procedures performed during the examination.

Status of Prior Examination Findings

The prior examination was conducted by the Utah Department of Insurance, and covered the period from July 1, 1994 through December 31, 1997. The prior examination report contained a number of material adjustments to the balance sheet accounts, and several summary comments concerning non-compliance with various sections of the Utah Insurance Code, and NAIC requirements.

Subsequent to a review of the findings and adjustments disclosed in the examination report, the Company submitted a letter to the Utah Department of Insurance noting the adverse findings and listed the procedures and actions taken to address and correct the deficiencies noted. The items and issues addressed during the prior examination were reviewed during the course of the current examination. It was concluded that the Company had taken proper action on these issues and had implemented sufficient corrective measures as of December 31, 2001.

History

General

The Company was incorporated on December 31, 1968, as a Mutual Benefit Association, which at that time was regulated under the provisions of UCA Section 31. Pursuant to UCA Subsection 31A-5-108(1), the Company was subsequently made subject to the provisions of UCA Chapter 31A-5, effective July 1, 1986. Due to the Company's status as a "Mutual", no common stock was issued.

The Company was organized to provide life and disability insurance for employees of Intermountain Health Care, Inc. (IHC) and its subsidiaries and affiliates. The Company was classified as a voluntary employee benefit association under Section 501(c)(9) of the Internal Revenue Code, and as such was determined to be a non-profit, tax-exempt entity subject to the Employee Retirement Income Security Act (ERISA).

There were no amendments made to the articles of incorporation or bylaws during the period under examination.

Management

The Company is a mutual insurer controlled by its members. "Members" are defined by the articles of incorporation as persons who are both employees of IHC or any of its affiliates and who are participating in either a group or individual policy issued by the Company. The business matters of the Company are governed by its articles of incorporation and bylaws.

The Company's articles of incorporation and bylaws require that the Company be managed by a board of directors consisting of seven directors. Four of the directors shall be elected by the members of the Company, and three directors shall be appointed by IHC's board of directors. The following persons were serving as directors of the Company at December 31, 2001:

<u>Name & Business Address</u>	<u>Principal Business Affiliation</u>
Sidney C. Paulson Salt Lake City, Utah	Board Chairman and Chief Operations Officer, IHC Health Plans, Inc.
Stephen R. Michael Salt Lake City, Utah	Assistant Vice President Human Resources, IHC, Inc.
Kent H. Cannon Salt Lake City, Utah	President Beneficial Life Insurance Company
Paul B. Jackson Salt Lake City, Utah	Assistant Administrator Human Resources, LDS Hospital
Nancy K. Adams Salt Lake City, Utah	Human Resources Consultant LDS Hospital
R. Lane Pedersen Salt Lake City, Utah	Human Resources Director Home Care
Greg J. Matis Salt Lake City, Utah	Benefits Attorney

As of December 31, 2001, the following persons were serving as duly elected or appointed officers of the Company:

Stephen R. Michael	President
D. Scott Campbell	Vice President
Jacquelynn Millard	Treasurer
Kathy A. Lavitt	Secretary

The Company has filed biographical affidavits on each of the officers and directors with the Utah Department of Insurance.

Committees

The board of directors established an audit committee on August 14, 1998, pursuant to the requirements of UCA Subsection 31A-5-412(2)(c). A claims review committee was established on August 9, 2000. The claims review committee consists of two groups of individuals, one of which addresses the complaints and disagreements related to life claims while the other handles the disability claims.

All inquiries and/or disagreements regarding claims are addressed and subject to a structured process of review and discussion for purposes of arriving at an expedient and satisfactory resolution. The claims appeal process begins on an individual basis with Scott Campbell, Vice President. If the resisted claim issue cannot be resolved at this point it is then submitted to the appropriate grievance committee, as listed below, and finally to arbitration, if the committee is unable to reach a settlement with the claimant.

The following individuals were serving as members on the respective committees as of December 31, 2001:

Audit Committee

Kent H. Cannon
Nancy K. Adams
R. Lane Pedersen

Life and Disability Claims Committee

Stephen R. Michael	Karen S. Thorsted
Kathy A. Lavitt	Taaga Gautavai
Greg J. Matis	William G. Gray
	C. David Richards

Internal Audits

IHC has its own internal audit staff, which routinely performs internal audits throughout its own organization and the Company as well. It was also noted that the IHC internal auditors provide assistance to the Company's certified accounting firm during its annual independent audit of the Company.

Conflict of Interest

The Company does have a formal written conflict of interest policy. This policy requires the directors, officers, and key staff members of the Company to file an annual disclosure statement which requests a declaration and disclosure of any material interest or affiliation which is in conflict or is likely to conflict with the individual's official duties at the Company.

A review of forms signed and filed during the examination period disclosed no material interests or affiliations which could be considered as a conflict or a potential conflict with the subject individual's official Company duties.

Corporate Records

The minutes of meetings of the board of directors and the committees were reviewed during the course of the examination. The review of minutes indicated that the meetings were held on a regular quarterly basis. The minutes adequately addressed and documented the Company's business activities throughout the years under examination.

It was noted that the previous examination report, as of December 31, 1997, was reviewed by the directors of the Company.

Related Party Transactions

As previously noted, the Company was organized for the sole purpose of providing insurance for employees of IHC, its affiliates and subsidiaries, thereby making it the only policyholder of the Company. In addition, IHC has the authority to appoint three of the Company's seven board members. In consideration of these conditions a unique relationship exists between the two parties which has some characteristics common to those of an affiliate.

However, a determination was made by the Utah Department of Insurance on May 26, 1993, that the Company is not a member of an insurance holding company system pursuant to UCA Chapter 16. Therefore it is not required to file a holding company registration statement, or to complete Schedule Y of the annual statement, as an affiliate would.

Service Agreements

As of December 31, 2001, the Company was party to two service agreements with IHC. Both of these agreements were effective as of October 31, 1990, and are summarized as follows:

1. Administrative/Management

Under the terms of this agreement, IHC, as an independent contractor, agrees to provide the Company with personnel, office space, office equipment and supplies, legal and accounting services, and all management and supervisory functions as necessary for the operation of the Company. Provision is made for the Company to reimburse IHC, on a monthly basis, for the actual cost of all the services and facilities provided.

2. Investment Management

The Company appoints and retains IHC as its agent and attorney-in-fact with the full power and authority to buy, sell, and trade all assets in the Company's investment portfolio, in accordance with the Company's investment policy and subject to the approval of the board of directors.

The agreement is considered as an "appendage" to the administrative/management agreement previously described, and accordingly, the Company agrees to reimburse IHC for its costs, including reasonable overhead for the services provided.

3. Trust Agreement (IHC and Northern Trust Company)

It was noted during the course of the examination that IHC entered into a trust agreement with The Northern Trust Company of Chicago, Illinois on December 30, 1992. This agreement is known as the Intermountain Health Care, Inc. Retiree Welfare Benefit Trust (the "Trust" or "Trust Fund"), under which Northern Trust Company accepted appointment as trustee to provide medical, sickness, and accident benefits to eligible retired employees of IHC, and/or their dependents.

The relevance of this agreement to the Company is in conjunction with the eligible retirees of IHC who participate in the basic group term life insurance program, and may be insured for either \$4,000 or \$10,000 of life insurance. A separate insurance policy known as the "Retiree Group Term Life Insurance Policy" between the Company and Northern Trust Company as "group policyholder" was executed on January 17, 1997. The policy outlines provisions for the payment of monthly premiums by the Trust and the Company's obligations for payment of death benefits as subject to the conditions outlined therein.

Fidelity Bond and Other Insurance

As of December 31, 2001, the minimum fidelity bond coverage recommended by the NAIC was \$250,000 to \$300,000. In lieu of obtaining fidelity bond coverage, IHC elected to purchase fidelity and commercial crime coverage. A review of the provisions disclosed that the coverage included blanket employee dishonesty, forgery or alteration, theft, robbery, burglary and computer fraud, with a maximum limit of \$5,000,000 per category, and a \$50,000 deductible. An attached endorsement included the major insurance plans provided by the Company, and a blanket inclusion of "any other Employee Benefit Plans now existing or hereinafter created."

The Company participated with IHC in a directors, officers and trustees liability insurance policy and a pension/welfare benefit fiduciary liability insurance policy, which provided for a maximum aggregate limit of liability of \$25,000,000 on each policy, and a retention of \$250,000 and \$25,000, for each claim, respectively.

The Company was also a named insured on two Professional Liability policies with IHC, which included "healthcare excess liability" coverage and "hospital excess liability coverage", provided by IHC Insurance Company, Inc., an affiliate, based in the Cayman Islands.

The healthcare excess policy provides for coverage up to \$35,000,000, excess of \$3,000,000 retention per loss, and the hospital excess policy for coverage of \$38,000,000, excess of \$15,000,000 retention per loss. As of December 31, 2001, excess coverage of the two policies were reinsured 100% by Employers Reinsurance and American Reinsurance Companies, respectively.

Pension, Stock Ownership, and Insurance Plans

The Company has no employees and, as previously noted, all administrative, accounting and managerial duties are performed by IHC under an administrative agreement. Therefore there are no applicable benefits related to the above caption.

Statutory Deposits

As of December 31, 2001, the Company maintained a single statutory deposit with a statement value of \$1,028,871, which met the requirements of UCA Section 31A-4-105 and Subsection 31A-5-211(2). The deposit is maintained in the State of Utah and consisted of an FNMA-MTN zero coupon security with a par value of \$1,575,000 and a market value of \$1,040,776.

Insurance Products and Related Practices

Territory and Plan of Operation

The Company is licensed only in the State of Utah. Its sole policyholder is IHC. Insurance coverage is provided to eligible employees and retirees of IHC both within and outside the State of Utah. As the insurance coverage plans offered are not available to the public, there is no formal marketing system employed as would be in a conventional insurance Company. Employees voluntarily sign up during open enrollment periods, when eligible, or at a life event presentation.

Policy Forms

The Company offers four basic insurance products, which are issued on a group coverage basis, with IHC being the sole policyholder. The following policies are issued:

Basic Group Term Life
Group Term Disability

Supplemental Group Term Life
Blanket Accidental Death and Dismemberment

The basic group term life plan provides for a maximum death benefit of \$50,000 for each eligible enrolled employee. If family coverage is selected, benefits are provided in the amount of \$2,000 for the spouse, and \$1,000 for each eligible dependent child. Upon the insured employee's retirement, the maximum benefit is reduced to \$10,000.

The supplemental life option is available to eligible employees who have properly enrolled in the basic life plan, and provides coverage amounts of \$25,000 to \$750,000, in increments of \$25,000. Coverage for spouse and dependent children is available in amounts of \$25,000 to \$150,000, and \$1,000 to \$10,000, respectively. The supplemental benefits are automatically terminated at the end of the month of the insured employee's retirement.

The blanket accidental death and dismemberment (AD&D) policy provides 24-hour coverage for eligible employees of \$25,000 to \$200,000, in increments of \$25,000. If the "spouse only" option is selected, the spouse can be insured for 50% of the insured employee's coverage. A "spouse and eligible dependent child(ren)" option is also available which insures the spouse for 40% and the child or children for 5% of the employee's coverage amount. The available benefits under this plan are automatically terminated at the end of the month of the insured employee's retirement.

The above policy includes an occupational accidental death and dismemberment insurance rider which covers all of the policyholder's actively at work employees. The coverage becomes effective on the employee's hire date if the employee was actively at work on that day. The automatic coverage amount is two times the employee's current annual base pay rounded to the next highest thousand dollars with a maximum benefit of \$100,000 and a minimum benefit of \$4,000.

Long-term disability benefits are available for properly enrolled employees who have become totally disabled. Depending on which coverage option has been chosen, the monthly benefit is either 50% or 60% of the insured's qualifying pay to a maximum of \$5,000 or \$6,000 respectively. The minimum benefit is not less than \$100 per month. An insured who becomes totally disabled prior to age 61 has a maximum benefit period not to exceed his/her 65th birthday or retirement, whichever occurs first. An insured who becomes totally disabled at age 61 or older has a maximum benefit in accordance with a decreasing benefit period scale which ranges downward from five years at age 61 to one year at age 69 and older.

Underwriting Practices

Enrollment in the various insurance plans is limited to eligible employees of IHC. The employees voluntarily sign up during open enrollment, when eligible, or at a life event presentation. Forms are delivered to the Human Resources department where they are reviewed and processed, with the chosen options being entered into the computer database. Life insurance applications are reviewed by the underwriter for insurability and approval before the amounts are entered into the benefits and payroll systems to initiate the appropriate payroll-withholding amounts. The Company retains \$150,000 on any one life, and cedes 100% of the excess to a reinsurer.

Advertising and Sales Material

As the Company does not offer insurance coverage to the general public, there is no need to engage in advertising or utilize the services of sales personnel. IHC provides information on available insurance benefits to those who are eligible, through its employee handbook and supplemental booklets and brochures.

Treatment of Policyholders

During the course of the examination, a review of open and closed life and disability claims was performed in conjunction with audit procedures related to year-end claims reserves established by the Company at December 31, 2001. It was reported by a Company officer that complaints are minimal, and that no formal complaint register is maintained. The Company has a structured review process for handling inquiries and disagreements regarding claim settlements, which begins on an individual basis, and can progress through a committee review, and finally arbitration if no resolution can be reached.

All claims in course of settlement as of December 31, 2001, were reviewed and a follow-up was performed on disposition and payment where appropriate. This involved 25 life claims and 9 disability claims, and a comprehensive examination of the corresponding files.

Based on this review it was concluded that the Company's processing and handling of the claims is performed as expeditiously as possible. The conclusions reached by the Company with regard to denial, classification as pending or placing on hold, and/or payment of settlements connected with the claims appeared to be fair, reasonable, and legally and technically correct in all of the claims files reviewed.

Reinsurance

Assumed

The Company had no assumed reinsurance business as of December 31, 2001, or at any other time during the period under examination.

Ceded

As of December 31, 2001, the Company was party to two reinsurance agreements to protect the excess of its retention on coverages for basic group life, supplemental group life, occupational AD&D, and 24 hour AD&D. The agreements are briefly summarized below, with regard to the reinsuring company, effective date, significant provisions, and other relevant information.

1. Beneficial Life Insurance Company: effective date: June 1, 1986

The Company retained \$150,000 on a coinsurance basis. Beneficial assumed 100% of the excess of the Company's retention.

2. Swiss Re' Life & Health America, Inc. (formerly General Re' and Life Re' Corporation)
effective date: January 1, 1986

This was a catastrophe/excess of loss agreement. The Company retained \$300,000 on each occurrence. Swiss Re' assumed up to \$50,000,000 on each accident on the Company's net amount at risk, less other reinsurance ceded.

In the aftermath of the events of September 11, 2001, Swiss Re' terminated this agreement effective December 31, 2001. The Company's efforts to obtain replacement catastrophe insurance, which included coverage for terrorism risks, proved to be cost prohibitive. As this was unacceptable to IHC (Reference section of this examination report captioned Policy Forms), it became necessary to purchase insurance from outside companies who could provide the necessary coverage. As a result of this development, the Company's board of directors voted to file a plan of dissolution pursuant to statutory requirements. The plan of dissolution was submitted the Utah Insurance Department on January 17, 2003.

Accounts and Records

The Company's accounting records were maintained on IHC's electronic data processing system, under the terms of an administrative agreement mentioned in a previous section of this report. The accounting system included a general ledger, various journals, and subsidiary records, which were produced through a centralized computer, and a number of terminals and personal computers.

The Company's summary ledger balances and adjustments were reconciled and traced into the year 2001 annual statement balance sheet. Additional reconciliation's were performed in conjunction with annual statement changes between the years 1999, 2000, and 2001, and traced into major statement exhibits, to the extent deemed necessary, for the respective years.

The Company retained an independent certified public accounting firm to audit its balance sheets as of December 31, 1998, 1999, 2000, and 2001, and the related statements of income, equity and cash flow for the years then ended. Certified audit reports, accompanying financial statements, and supplemental information for all of the above four years were made available to the examination, including the CPA's work papers for the year 2001.

The Company's aggregate life reserves and accident and health reserves were reviewed and Opined on by a major independent actuarial firm for all of the four years under examination. The actuarial reports and opinions rendered thereon were also made available for examination purposes.

Financial Statements

The financial section of this report contains the following statements and exhibits:

Balance Sheet as of December 31, 2001

Summary of Operations for the Year ended December 31, 2001

Reconciliation of Surplus Accounts, December 31, 1998 to December 31, 2001

Associated American Mutual Life Insurance Company
Balance Sheet
As of December 31, 2001

Net Admitted Assets

Bonds	\$27,967,074
Stocks	5,579,520
Cash	259,552
Short-term investments	942,472
Amounts recoverable from reinsurers	100,000
Life Insurance premiums and annuity considerations deferred and uncollected	46,428
Investment income due and accrued	<u>302,285</u>
Total assets	<u>\$35,197,331</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$ 4,426,000
Aggregate reserve for accident & health policies	16,574,788 (Note 1)
Policy and contract claims - Life	983,750
Policy and contract claims - Accident & health	120,074
Other amounts payable on reinsurance	232,674
Interest Maintenance Reserve	108,112
Taxes, licenses and fees due or accrued	65,000
Asset valuation reserve	495,952 (Note 3)
Payable to affiliate	<u>308,815 (Note 2)</u>
Total liabilities	<u>\$23,315,165</u>
Gross paid in and contributed surplus	\$ 5,000
Unassigned funds (surplus)	<u>11,877,166</u>
Surplus	<u>\$11,882,166 (Note 4)</u>
Total liabilities and surplus	<u>\$35,197,331</u>

Associated American Mutual Life Insurance Company
Summary of Operations
For the Year ended December 31, 2001

Premiums and annuity considerations	\$ 8,528,828
Net investment income	1,893,569
Amortization of Interest Maintenance Reserve	<u>13,919</u>
Total	<u>\$10,436,316</u>
Death benefits	\$ 4,153,000
Disability benefits and benefits under accident and health policies	2,831,131
Group conversions	11,000
Increase in aggregate reserves for life and A&H policies and contracts	<u>2,192,788</u>
Total	<u>\$ 9,187,919</u>
General insurance expenses	\$ 425,204
Insurance taxes, licenses, and fees, excluding federal income taxes	<u>221,178</u>
Total	<u>\$ 9,834,301</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 602,015
Dividends to policyholders	<u>-0-</u>
Net gain from operations after dividends to policyholders and before federal income taxes	<u>\$ 602,015</u>
Federal income taxes incurred	<u>-0-</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	<u>\$ 602,015</u>
Net Income	<u>\$ 602,015</u>

Associated American Mutual Life Insurance Company
Reconciliation of Surplus Accounts
December 31, 1998 to December 31, 2001

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Surplus December 31, previous year	<u>\$ 3,952,317</u>	<u>\$ 4,750,035</u>	<u>\$ 7,403,223</u>	<u>\$12,047,479</u>
Net Income	751,258	1,569,770	5,932,358	602,015
Change in net unrealized capital gains or (losses)	141,628	616,059	(1,619,564)	(463,665)
Prior period adjustment in unrealized capital gains		675,949		
Change in non-admitted assets and related items	(19,719)	25,537)	45,183	75
Change in asset valuation reserve	<u>(75,449)</u>	<u>(183,053)</u>	<u>286,279</u>	<u>(303,738)</u>
Net change in surplus for the year	<u>\$ 797,718</u>	<u>\$2,653,188</u>	<u>\$ 4,644,256</u>	<u>\$ (165,313)</u>
Surplus as of December 31, current year	<u>\$4,750,035</u>	<u>\$7,403,223</u>	<u>\$12,047,479</u>	<u>\$11,882,166</u>

Notes to Financial Statements

(Note 1) Aggregate reserve for accident and health policies

\$16,574,788

The aggregate reserve for accident and health policies was increased by \$475,788 to reflect the retrospective loss development review, through June 30, 2002, performed by Troy J. Pritchett, FSA, MAA A, of Milliman & Robertson, Inc.(M&R). M&R was retained for examination purposes.

The following recommendations were made by M&R pursuant to the firm's actuarial review:

1. The assumptions underlying the Company's reserving for Incurred But Not Reported (IBNR) claims should be updated more frequently.
2. The Company should, but does not, calculate and disclose the reserve for disability claims based on instructions in the Accounting Practices and Procedures Manual promulgated by the NAIC (Reference provisions in Appendix A: A-010 number 28). M&R estimates that the reserve would increase in the range of \$1 to \$2 million using the applicable valuation criteria contained in the Accounting Practices and Procedures Manual.
3. The social security disability determination status coded for reserves should be reviewed for cases more than three years from the disability date. Sample testing disclosed a case where social security benefits had been denied, but the valuation data was coded to include an assumed future offset.

(Note 2) Payable to affiliate

\$ 308,815

The above captioned liability was reclassified from the Company's original reporting as "Premiums Received in Advance." The payable is the net balance of an inter-company clearing account maintained between the Company and IHC.

The general ledger account was established as a receivable account, to book premiums due from active IHC employees/members. While premiums are booked as receivables on a regular monthly basis, they are commonly offset by claims paid directly by IHC. Therefore actual cash collections of premium by the Company do not often occur on a regular basis or for the full amount, which results in a continual netting process and a rolling balance. There are no premiums collected in advance, as they are booked monthly, and considered earned at the end of each month.

The credit balance as of December 31, 2001 represents an offset against 2002 premiums not yet due, which would not be collected until the end of January 2002. This results in an amount payable to IHC for its payment of claims on behalf of the Company.

(Note 3) Asset valuation reserve

\$ 495,952

The asset valuation reserve (AVR) was originally reported at \$206,668. A review of the AVR section of the annual statements from 1998 through 2001 disclosed a number of omissions from the calculation summaries, which resulted in the AVR being understated for the years 1998 through 2001.

The examination increase of \$289,284, as of December 31, 2001, was due primarily to the following:

1. Omission of unrealized capital gains from the Equity Component for common stock per "Exhibit 4" of the 1998 and 1999 annual statements.
2. Not adjusting the Default Component reserve down to the maximum for years 1998, 2000, and 2001, and transferring the excess to the Equity Component per annual statement instructions.

As a result of the above exceptions, the prior year reserves, as stated on line one of the AVR summaries, were incorrectly stated, and resulted in adjustments and increases for all years under examination. The Company should carefully follow the annual statement instructions on a line by line basis to avoid future errors in calculating this reserve.

(Note 4) Surplus

\$11,882,166

The Company's surplus was determined to be \$ 765,072 less than reported. The following schedule identifies examination changes:

<u>Account/Item Description</u>	<u>Per Company</u>	<u>Per Examination</u>	<u>Change in Surplus</u>	<u>Notes</u>
Aggregate reserve for accident & health Policies	16,099,000	16,574,788	(475,788)	(1)
Asset valuation reserve	206,668	495,952	(289,284)	(2)
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	308,813	-0-	(308,813)	(3)
Payable to parent, subsidiaries and affiliates	-0-	308,813	308,813	(3)
Total adjustments			\$ (765,072)	
Capital and Surplus per Company			<u>12,647,238</u>	
Capital and Surplus per examination			<u>\$ 11,882,166</u>	

U.C.A. Subsection 31A-5-211 (2)(a) requires the Company to maintain minimum capital in the amount of \$400,000. As of December 31, 2001, the Company's total adjusted capital was \$12,378,118. Its authorized control level risk based capital requirement, as reported in the 2001 annual statement, was \$1,642,262. The adjustments made per examination findings would not have a significant impact on the Company's authorized control level risk based capital requirement.

Summary Comments and Recommendations

Items of significance noted during the course of the examination are summarized immediately below:

Capital and Surplus: As of December 31, 2001, the Company's total adjusted capital was determined to be \$12,378,118 for examination purposes. Its authorized control level risk based capital requirement, as reported in the 2001 annual statement, was \$1,642,262. Adjustments made for examination purposes would not have a significant impact on the Company's authorized control level risk based capital requirement. (See "Notes to Financial Statements")

Dissolution of Company: The Company's board of directors voted to file a plan of dissolution because the cost of replacement catastrophe coverage was cost prohibitive. The plan of dissolution was submitted the Utah Insurance Department on January 17, 2003.
(See "Reinsurance")

Aggregate reserve for accident and health policies: The aggregate reserve for accident and health policies was increased by \$475,788 for examination purposes. The actuarial firm retained for examination purposes made some recommendations in regards to some reserving deficiencies noted.
(See "Notes to Financial Statements")

Conclusion

The courteous assistance and cooperation extended by the officers, staff members, and other representatives of the Company during the course of this examination is acknowledged and appreciated.

Troy J. Pritchett, FSA, MAAA, of Milliman & Robertson, Inc., performed the actuarial phase of the examination.

Respectfully submitted,



Jim Beckenhauer, CFE
Examiner-in-Charge
Utah Insurance Department